MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC4694 – FORENSIC ACCOUNTING

(All sections / Groups)

25 FEBRUARY 2017
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages with 4 Questions only.

2. Attempt all **FOUR** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Prem runs a family owned department store in Bukit Mertajam. The store consists of nine different departments, each with its own department manager. Store hours are Mondays to Saturdays from 10am to 7pm and from noon to 5pm on Sunday. Each department has its own cash register, and two salespersons are assigned to each register. To prevent any confusion, each salesperson must enter his or her own secret code with each transaction. At the end of each day, the sales manager in each department tallies the department's register, collects the money (cash and cheques) from the register, and prepares a transmittal slip for the general manager to review and sign. The general manager then double checks the cash count before signing the transmittal slips. After collecting all cash receipts from all departments, the general manager prepares a daily cash sales report and sends it to the store's finance manager. The finance manager counts the money and signs three copies of the daily cash sales report. She keeps one copy for herself, second copy goes to the store's accountant and the last copy goes to the store manager. The finance manager then puts all of the cash into the company safe, where it stays until the next morning when it is picked up by an armoured car service and sent to the bank.

The store's accountant reconciles copies of cash sales reports with bank deposit slips and with credit on the monthly bank statement. Prem has a close relationship with the bank, so he is always called first when there is any kind of issue. He just receives a call from one of the bank's customer service representative who suggested that he looks into some customer's cheques that had recently been bounced. The bank representative said that some of the payer's names on the cheques had come up in bad cheques written to a number of other local businesses. "You have an insider working against you," said the bank employee. "This is happening all over the town; I heard a police investigator say that there's always an insider involved.

Required:

(a) Based on the above case, discuss the possible cheque fraud scheme the company might be a victim of.

(10 marks)

(b) Given the store's procedures for processing cash receipts, which persons in the store are in a position to participate in a cheque fraud scheme?

(5 marks)

(c) Suggest alternatives how fraud can be prevented?

(10 marks)

(Total: 25 marks)

Continued...

QUESTION 2

Mr Prakash, a senior accountant, and Ms. Mariam, a junior accountant, were the only accountants for Alpha Integrated Sdn Bhd, a medium-size business. Prakash had been with the company for over five years and was responsible for the Purchasing Department. Mariam had been working at the company for a little over six years, and she had neither applied for a vacation nor taken any day off in the last four years. She was responsible for cash receipts and disbursements. She also collected the cash from the cash register, counted it and matched it with cash register receipts, made a record of daily receipts, and then put the money in the safe. Once a week, she would take the paperwork to her supervisor, Suzzy, one of the managers, who would check it. Mariam later resigned from the company. At the time of her resignation, Prakash was asked to handle Mariam's duties while the company looked for a person to replace her. Prakash soon realized that there had been some manipulation of accounting records and embezzlement of funds. Investigations revealed that approximately RM50,000 had been stolen.

Required:

(a) Based on the above case, describe the possible opportunity that would be advantageous for Mariam to do fraud.

(5 marks)

(b) The company had decided to appoint you as consultant to identify the company's weaknesses which lead to the fraud. Explain to the management your findings of such possible weaknesses.

(10 marks)

(c) Suggest FIVE (5) primary control procedures that need to be implemented in the Alpha Integrated Sdn Bhd to strengthen the internal control in preventing fraud.

(10 marks)

(Total: 25 marks)

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QUESTION 3

(a) Explain the following accounting terms:

i. Earnings Management

ii. Cookie Jar Accounting

(5 marks)

(b) Money launderers often look for ways to legitimatise their illegal cash. Describe the possible ways a money launderer could launder cash to prevent the illegal money from being detected to its original source.

(15 marks)

(c) Cyber forensics involves in the capture, preservation, identification, extraction, analysis, documentation and litigation cases preparation related to digital data and events. State some sources of digital evidence that the non-technically savvy professionals may not be aware of.

(5 marks)

(Total: 25 marks)

QUESTION 4

Forensic practitioners are asked to perform a variety of economic and accounting measurements for many important purposes that relate to legal rights. One of the most complex and pervasive measurement made is the business valuation. Business valuations require professionals who are knowledgeable and skilled in finance, law and accounting.

Required:

(a) Discuss THREE (3) types of valuation methods.

(9 marks)

(b) Explain the general process of valuating a business.

(10 marks)

(c) Describe THREE (3) various synergistic possibilities.

(6 marks)

(Total: 25 marks)

End of Paper